

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20590

STATEMENT OF ANGELO P. PICILLO, CHIEF, FACILITIES MANAGEMENT DIVISION,
OFFICE OF INSTALLATIONS AND LOGISTICS, OFFICE OF THE SECRETARY, BEFORE
THE PUBLIC BUILDINGS AND GROUNDS SUBCOMMITTEE OF THE COMMITTEE ON PUBLIC
WORKS OF THE U.S. SENATE, MARCH 14, 1974.

SUPPORTING WITNESS: JOSEPH H. CLARK
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Mr. Chairman and Members of the Subcommittee:

I am Angelo Picillo, Chief of the Facilities Management Division in the Office of the Secretary of Transportation. The role of my office is to coordinate the facilities program of the Department. With me is Joseph Clark from the National Highway Traffic Safety Administration (NHTSA). Mr. Clark will be the Director of the Compliance Test Facility.

I appreciate this opportunity to appear before you in connection with the revised prospectus for the National Highway Traffic Safety Administration's Compliance Test Facility (CTF). This facility is planned for construction at East Liberty, Ohio, on the property of the Transportation Research Center of Ohio (TRCO). The Ohio Center which is dedicated to transportation research is located within 250 miles of 60 percent of all motor vehicle and equipment production in the U.S. and has several unique motor vehicle test facilities which can be used by the National Highway Traffic Safety Administration to support its test operations.

The revised prospectus, which has been submitted to your Committee, would change the method of acquisition of the buildings and the support

facilities, from direct federal construction to lease from the State of Ohio. The test equipment is not included in the lease proposal. This equipment would be purchased and installed by the Department of Transportation (DOT).

Public Law 91-265 amended the National Highway Traffic Safety Act of 1966 and required that four congressional committees approve planning, design and construction of research, development and compliance test facilities involving an expenditure in excess of \$100,000, before funds could be appropriated. The revised prospectus has also been submitted to the Committee on Commerce of the Senate and the Committee on Interstate and Foreign Commerce and on Public Works in the House of Representatives. Your Committee and the other committees had approved the original prospectus in July 1971.

After the Committees' approval of the original prospectus in 1971, \$9.6 million was appropriated for design, construction, and test equipment. After the appropriation was made, the State of Ohio offered to construct the facility and lease it to the Department. We decided to give serious consideration to the Ohio offer because the lease approach would significantly reduce the required initial lump sum outlay of funds to acquire the facility. This would permit us either to return a large part of the appropriated funds to the treasury or reprogram the funds with congressional approval.

The Ohio lease offer generally consist of the following key elements:

- ° The lease will be nonprofit arrangement.

- ° The costs to DOT for the first 20 year lease period will be based on the amortization of the construction costs at an interest rate not to exceed six percent.
- ° The lease cost after the first 20 year lease period will include only charges for insurance and structural maintenance.
- ° DOT can lease for a total of five 20 year lease periods.
- ° Construction will be financed by revenue bonds.

A lease-purchase arrangement could not be considered because Ohio law does not permit the TRCO to sell or convey its property to another entity. However, the arrangement Ohio has proposed is essentially equivalent to a lease purchase arrangement because it provides a long term leasing option; it will not cost more than the purchase alternative in the long run; and the government will have complete control of the facility.

The cost of lease versus purchase was analyzed using the procedures in OMB Circular A-104. These procedures consider the time value of money. This analysis indicates that leasing will cost \$386,000 less than direct Federal construction. OMB has reviewed and approved this analysis.

Besides eliminating the need for an initial lump sum outlay of funds to acquire the facility, there are other advantages to leasing:

- ° It will reduce the need for lump sum appropriations for future major modifications and alterations which can be incorporated into the lease. However, this would only be done after congressional approval.

- ° It will eliminate a potential problem associated with disposing of Government-owned capital improvements on land not owned by the Federal Government. The original prospectus called for direct Federal construction on leased land.

While the Ohio lease offer was being investigated, DOT completed the final plans and specifications for construction. If the lease approach is approved, these construction documents will be used by Ohio to construct the facility. The cost of the design work was \$582,000, leaving an unobligated balance of approximately \$9.0 million from the \$9.6 million appropriation.

Because of problems in gaining approval for additional personnel for the Compliance Test Facility, our schedule slipped and Congress last year transferred the unobligated \$9.0 million balance to fund expenditures under the Motor Vehicle Information and Cost Savings Act, Public Law 92-513. This Act is concerned with bumper standards, consumer cost information related to vehicle damageability and crash characteristics, vehicle diagnostic techniques, and odometer requirements. Due to the importance of the compliance test facility project, the Secretary of Transportation appealed the transfer of funds to the Senate Appropriations Committee. The Committee was informed of the plan to lease the facility and was asked to retain \$3.5 million of the \$9.0 million balance in the project for test equipment and the first-year lease cost. The appeal was rejected. Consequently, we do not have the funds to purchase the test equipment. However, \$3.5 million has been included in the President's FY 1975 Budget for this purpose. If the lease approach is

not approved, a total appropriation of \$11,105,000 will be required to construct and equip the facility, \$8,395,000 for construction and \$2,710,000 for equipment.

It is our plan to execute the lease with Ohio as soon as the FY 1975 \$3.5 million appropriation is received by DOT. The bonds for construction financing will then be issued by Ohio and construction should be initiated by December 1, 1974. This schedule will permit us to occupy the facility early in 1976.

Mr. Chairman, this concludes my statement. However, I would like to provide a copy of the revised prospectus for the record. I will be happy to answer any questions that you or members of your Committee may have.

